Fresno Madera
Farm Credit
*Agriculture is our only business*

# 2022 Quarterly Report

March 31, 2022




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**FRESNO MADERA FARM CREDIT, ACA**

**2022 QUARTERLY REPORT**

**MARCH 31, 2022**

**MESSAGE TO SHAREHOLDERS**

May 10, 2022

Dear Member:

These consolidated financial statements reflect the status of the Fresno Madera Farm Credit, ACA and its subsidiaries at the end of the First Quarter of 2022. Results for interim periods are not necessarily indicative of results to be expected for the year. These financial statements were prepared and reviewed under the oversight of the Association's Audit Committee.

The shareholders' investment in the Association is materially affected by the financial condition and the results of the operation of CoBank. The CoBank, ACB and CoBank District quarterly and annual reports are available free of charge by accessing CoBank's website, www.cobank.com, or may be obtained at no charge by contacting us at 4635 W. Spruce, P.O. Box 13069, Fresno, California 93794-3069 or by calling (559) 277-7000.

The undersigned certify they have reviewed this report, this report has been prepared in accordance with all applicable statutory or regulatory requirements and the information contained herein is true, accurate, and complete to the best of his or her knowledge and belief.

Sincerely,

Denise Waite
Audit Committee Chair
Fresno Madera Farm Credit, ACA
Fresno Madera PCA, FLCA

Keith Hesterberg
President and Chief Executive Officer
Fresno Madera Farm Credit, ACA
Fresno Madera PCA, FLCA

Joe Soto
Senior Vice President and Chief Financial Officer
Fresno Madera Farm Credit, ACA
Fresno Madera PCA, FLCA

# Management's Discussion and Analysis
## Financial Condition and Results of Operations

(Dollars in thousands, except as noted)

### Results of Operations

Net income for the three months ended March 31, 2022 was $7.6 million consistent with the comparative period in 2021. Our net income is within 1% of prior year reflecting an increase in net interest income and noninterest income, with a similar increase in noninterest expense and provision for loan losses. Net interest income increased $462 to $8.8 million for the three months ended March 31, 2022 from the comparative period in 2021 primarily due to higher average loan volume.

Noninterest income for the three months ended March 31, 2022 was $4.6 million, an increase of $470 or 11% from the comparative period in 2021. The increase in noninterest income is primarily due to the recognition of a gain on the sale of real estate. The Association began construction of a new office branch in Madera with the plan to relocate from its existing Madera branch office once construction is complete. The increase in noninterest income was partly offset by a decrease in loan fee income associated with the Paycheck Protection Program (PPP) administered by the U.S. Business Administration (SBA), which officially ended on May 31, 2021.

We monitor the risks within our loan portfolio to determine if any adjustments to our allowance for loan losses are necessary based on our assessment of inherent credit losses at the balance sheet date. We recorded a provision for loan losses for the three months ended March 31, 2022 of $61 compared to a loan loss reversal of $434 for the comparative period in 2021. The increase in our allowance for loan losses is primarily due to a slight downgrade in credit quality, partially offset by some minor updates to underlying risk factors utilized for the allowance for loan losses estimate during the first quarter. Comparatively, in 2021 we experienced loan payoffs and loan upgrades, including updating the allowance underlying risk factors.

Noninterest expenses for the three months ended March 31, 2022 increased $411 or 8%, to $5.6 million compared to the same period in the prior year primarily due to increases in salaries and employee benefits expense, information technology expense, and other noninterest expense. Salaries and employee benefits expense increased primarily due to planned increases in staff, in addition to annual merit increases and related increases in accruals of incentive compensation programs. Information technology expense increased due to increases in service charges from our technology provider and other IT vendors. The increase in other noninterest expense is partially due to an increase in board honorarium effective in June 2021.

### Loan Portfolio

Loan volume outstanding at March 31, 2022 was $1,375 million, an increase of $23.4 million from total loan volume at December 31, 2021 of $1,351 million. Overall, the increase in loan volume was driven by increased utilization on revolving lines of credit in the cooperative segment along with new loan commitments in the process and marketing loan segment. This was partially offset by seasonal repayment activity in our production and intermediate term loan segments.

As of March 31, 2022, the allowance for loan losses was $7.1 million, an increase of $45 from December 31, 2021, with the allowance as a percentage of loans as of March 31, 2022 at 0.51%, compared to 0.52% at December 31, 2021. As noted above, the increase in our allowance for loan losses is primarily due to a slight downgrade in credit quality partially offset by updating underlying risk factors utilized for the allowance for loan losses estimate in the first quarter.

### CAPITAL RESOURCES

The Association continues to have a sound capital position and exceed all regulatory and board minimums. Members' equity at March 31, 2022 was $307.7 million representing an increase of $7.6 million or 3% from December 31, 2021. The increase in Members' equity is attributed to the Association's net operating results.

For additional information, please refer to the "Notes to Consolidated Financial Statements" and the Association's 2021 Annual Report to Shareholders.

### COVID-19 PANDEMIC

The Coronavirus Disease 2019 (COVID-19) pandemic is recognized as a global public health crisis that has resulted in unprecedented uncertainty, volatility and disruption in financial markets and in governmental, commercial and consumer activity in the United States and globally, including the markets that the Association serves. While the economy now appears to be on track for recovery and most COVID-19 related restrictions have been lifted, continuation and worsening of COVID-19 could cause reductions in business activity and financial transactions, labor shortages, supply chain interruptions and overall economic and financial market instability.

The U.S. economy continues to be affected by the Federal Reserve's monetary policies initiated during the COVID-19 pandemic. Growth in economic activity and demand for goods and services, alongside labor shortages and supply chain complications, have contributed to rising inflation. In response to increasing inflation rates, the Federal Reserve increased the targeted federal funds rate by 25 basis points in March 2022 and another 50 basis points effective May 5, 2022. It is expected that additional rate increases will occur throughout 2022. Uncertainty remains related to the timing and impact of inflation and rising interest rates, including the effects of any actions taken by governmental authorities to mitigate both the economic and health-related effects of COVID-19.

The long-term impacts of COVID-19 on agriculture and the Association's borrowers are still relatively unknown. The Association will continue to monitor the impact on agricultural commodities and the potential financial impact to our borrowers.

## **CONSOLIDATED STATEMENTS OF CONDITION**

(Dollars in thousands)

| | **March 31 2022** | December 31 2021 |
|---|---|---|
| | **UNAUDITED** | AUDITED |
| **ASSETS** | | |
| Loans | **$1,374,780** | $ 1,351,411 |
| Less allowance for loan losses | **7,057** | 7,012 |
| Net loans | **1,367,723** | 1,344,399 |
| Cash | **19** | 1,159 |
| Accrued interest receivable | **9,110** | 15,078 |
| Investment in CoBank, ACB | **39,833** | 40,876 |
| Premises and equipment, net | **6,409** | 6,188 |
| Other assets | **12,571** | 17,721 |
| **Total assets** | **$1,435,665** | $ 1,425,421 |
| | | |
| **LIABILITIES** | | |
| Note payable to CoBank, ACB | **$1,077,535** | $ 1,059,017 |
| Funds held | **41,430** | 47,066 |
| Accrued interest payable | **456** | 309 |
| Patronage distributions payable | **4,635** | 14,121 |
| Other liabilities | **3,866** | 4,798 |
| **Total liabilities** | **1,127,922** | 1,125,311 |
| | | |
| **MEMBERS' EQUITY** | | |
| Capital stock and participation certificates | **755** | 760 |
| Unallocated retained earnings | **306,988** | 299,350 |
| **Total members' equity** | **307,743** | 300,110 |
| **Total liabilities and members' equity** | **$1,435,665** | $ 1,425,421 |

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands)

| | For the three months ended March 31 | |
|---|---|---|
| | **2022** | 2021 |
| | UNAUDITED | UNAUDITED |
| **INTEREST INCOME** | | |
| Loans | **$ 10,821** | $ 10,227 |
| | | |
| **INTEREST EXPENSE** | | |
| Note payable to CoBank, ACB | **2,048** | 1,898 |
| Funds held | **1** | 19 |
| **Total interest expense** | **2,049** | 1,917 |
| Net interest income | **8,772** | 8,310 |
| Provision for loan losses (loan loss reversal) | **61** | (434) |
| Net interest income after provision for loan losses (loan loss reversal) | **8,711** | 8,744 |
| | | |
| **NONINTEREST INCOME** | | |
| Patronage distribution from Farm Credit Institutions | **3,672** | 3,538 |
| Financially related services income | **109** | 46 |
| Loan fees | **126** | 445 |
| Note payable prepayment fees | **-** | (29) |
| Gain on sale of premises and equipment | **562** | 33 |
| Other noninterest income | **91** | 57 |
| **Total noninterest income** | **4,560** | 4,090 |
| | | |
| **NONINTEREST EXPENSE** | | |
| Salaries and employee benefits | **3,165** | 3,067 |
| Occupancy and equipment | **183** | 156 |
| Farm Credit Insurance Fund premium | **396** | 364 |
| Information technology | **1,136** | 1,086 |
| Supervisory and examination costs | **124** | 123 |
| Other noninterest expense | **627** | 424 |
| **Total noninterest expense** | **5,631** | 5,220 |
| Income before income taxes | **7,640** | 7,614 |
| Provision for income taxes | **2** | - |
| **Net income** | **$ 7,638** | $ 7,614 |

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

(Dollars in thousands)

| UNAUDITED | Capital Stock and Participation Certificates | Unallocated Retained Earnings | Total Members' Equity |
|---|---|---|---|
| **Balance at December 31, 2020** | $ 757 | $ 288,549 | $ 289,306 |
| Net income | | 7,614 | 7,614 |
| Capital stock and participation certificates issued | 25 | | 25 |
| Capital stock and participation certificates retired | (23) | | (23) |
| **Balance at March 31, 2021** | **$ 759** | **$ 296,163** | **$ 296,922** |
| | | | |
| **Balance at December 31, 2021** | $ 760 | $ 299,350 | $ 300,110 |
| Net income | | 7,638 | 7,638 |
| Capital stock and participation certificates issued | 16 | | 16 |
| Capital stock and participation certificates retired | (21) | | (21) |
| **Balance at March 31, 2022** | **$ 755** | **$ 306,988** | **$ 307,743** |

The accompanying notes are an integral part of these consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except as noted)
(Unaudited)

## 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and operations of Fresno Madera Farm Credit, ACA (ACA) and subsidiaries, Fresno Madera Federal Land Bank Association, FLCA (FLCA) and Fresno Madera Production Credit Association, (PCA) (collectively, the Association), the significant accounting policies followed, and the financial condition and results of operations as of and for the year ended December 31, 2021 are contained in the 2021 Annual Report to Shareholders. These unaudited first quarter 2022 consolidated financial statements should be read in conjunction with the 2021 Annual Report to Shareholders.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021 as contained in the 2021 Annual Report to Shareholders.

In the opinion of management, the unaudited financial information is complete and reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of results for the interim periods. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year ending December 31, 2022. Descriptions of the significant accounting policies are included in the 2021 Annual Report to Shareholders. In the opinion of management, these policies and the presentation of the interim financial condition and results of operations conform with GAAP and prevailing practices within the banking industry.

In June 2016, the FASB issued guidance entitled "Measurement of Credit Losses on Financial Instruments." The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For public business entities that are not U.S. Securities and Exchange Commission filers this guidance was to become effective for interim and annual periods beginning after December 15, 2020, with early application permitted. In November 2019, the FASB issued an update that amends the mandatory effective date for this guidance for certain institutions. The change resulted from a change in the effective date philosophy that extends and simplifies the adoption by staggering the dates between large public entities and other entities. As a result of the change, the new credit loss standard, for those institutions qualifying for the delay, becomes effective for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Association qualifies for the delay in the adoption date. The Association continues to evaluate the impact of adoption on its financial condition and results of operations.

(Dollars in thousands, except as noted)

## 2. Loans and Allowance for Loan Losses

A summary of loans follows:

| | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Real estate mortgage | **$ 865,714** | $ 881,129 |
| Production and intermediate-term | **237,504** | 259,859 |
| Agribusiness: | | |
| Cooperatives | **115,923** | 68,930 |
| Processing and marketing | **110,737** | 101,080 |
| Farm-related business | **28,172** | 22,246 |
| Lease receivables | **16,730** | 18,167 |
| Total loans | **$ 1,374,780** | $ 1,351,411 |

Unamortized deferred loan fees and costs totaled $3.6 million as of March 31, 2022 and December 31, 2021, respectively.

The Association purchases and sells participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold as of March 31, 2022:

| | **Other Farm Credit Institutions** | | **Non-Farm Credit Institutions** | | **Total** | |
|---|---|---|---|---|---|---|
| | **Purchased** | **Sold** | **Purchased** | **Sold** | **Purchased** | **Sold** |
| Real estate mortgage | $ 139,701 | $ 216,718 | $ - | $ - | $ 139,701 | $ 216,718 |
| Production and intermediate-term | 21,880 | 184,720 | - | - | 21,880 | 184,720 |
| Agribusiness | 203,898 | 59,289 | 6,524 | - | 210,422 | 59,289 |
| Lease receivables | 16,730 | - | - | - | 16,730 | - |
| Total loans | **$ 382,209** | **$ 460,727** | **$ 6,524** | **$ -** | **$ 388,733** | **$ 460,727** |

One credit quality indicator utilized by the Association is the Farm Credit Administration Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness,
- Substandard – assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- Loss – assets are considered uncollectible.

(Dollars in thousands, except as noted)

The following table shows loans and related accrued interest classified under the Farm Credit Administration Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of:

| | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Real estate mortgage | | |
| Acceptable | **97.13%** | 97.04% |
| OAEM | **1.89%** | 1.98% |
| Substandard | **0.98%** | 0.98% |
| Total | **100.00%** | 100.00% |
| Production and intermediate-term | | |
| Acceptable | **90.00%** | 90.25% |
| OAEM | **7.23%** | 8.38% |
| Substandard | **2.77%** | 1.37% |
| Total | **100.00%** | 100.00% |
| Agribusiness | | |
| Acceptable | **96.66%** | 90.24% |
| OAEM | **2.74%** | 8.86% |
| Substandard | **0.60%** | 0.90% |
| Total | **100.00%** | 100.00% |
| Lease receivables | | |
| Acceptable | **100.00%** | 100.00% |
| Total | **100.00%** | 100.00% |
| Total Loans | | |
| Acceptable | **95.84%** | 94.82% |
| OAEM | **2.95%** | 4.15% |
| Substandard | **1.21%** | 1.03% |
| Total | **100.00%** | 100.00% |

(Dollars in thousands, except as noted)

High risk assets consist of impaired loans and other property owned. These nonperforming assets (including related accrued interest) and related credit quality are as follows:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Nonaccrual loans: | | |
| Real estate mortgage | $ 655 | $ 396 |
| Production and intermediate-term | 299 | - |
| Agribusiness: | | |
| Processing and marketing | 1,465 | 1,630 |
| Total nonaccrual loans | 2,419 | 2,026 |
| Accruing restructured loans | - | - |
| Accruing loans 90 days past due | 115 | - |
| Other property owned | - | - |
| Total high risk assets | $ 2,534 | $ 2,026 |

Additional impaired loan information is as follows:

| | March 31, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Recorded Investment | Unpaid Principal Balance | Related Allowance |
| **Impaired loans with a related allowance for credit losses:** | | | | | | |
| Production and intermediate-term | $ 208 | $ 208 | $ 208 | $ - | $ - | $ - |
| Total | $ 208 | $ 208 | $ 208 | $ - | $ - | $ - |
| **Impaired loans with no related allowance for credit losses:** | | | | | | |
| Real estate mortgage | $ 655 | $ 722 | $ - | $ 396 | $ 447 | $ - |
| Production and intermediate-term | 91 | 91 | - | - | - | - |
| Agribusiness: | | | | | | |
| Processing and marketing | 1,465 | 1,738 | - | 1,630 | 1,863 | - |
| Total | $ 2,211 | $ 2,551 | $ - | $ 2,026 | $ 2,310 | $ - |
| Total impaired loans | $ 2,419 | $ 2,759 | $ 208 | $ 2,026 | $ 2,310 | $ - |

(Dollars in thousands, except as noted)

| | For the Three Months Ended | | | |
|---|---|---|---|---|
| | **March 31, 2022** | | March 31, 2021 | |
| | **Average Impaired Loans** | **Interest Income Recognized** | Average Impaired Loans | Interest Income Recognized |
| **Impaired loans with a related allowance for credit losses:** | | | | |
| Agribusiness: | | | | |
| Processing and marketing | $ 81 | $ - | $ - | $ - |
| Total | 81 | - | - | - |
| **Impaired loans with no related allowance for credit losses:** | | | | |
| Real estate mortgage | 385 | - | 2,560 | 2 |
| Production and intermediate-term | 4 | - | 1 | - |
| Agribusiness: | | | | |
| Processing and marketing | 1,527 | - | 2,393 | - |
| Total | 1,916 | - | 4,954 | 2 |
| Total impaired loans | $ 1,997 | $ - | $ 4,954 | $ 2 |

The following tables provide an age analysis of past due loans (including accrued interest):

| **March 31, 2022** | **Current Loans** | **30-89 Days Past Due** | **90 Days or More Past Due** | **Total Loans Outstanding** | **Accrual loans 90 days or More Past Due** |
|---|---|---|---|---|---|
| Real estate mortgage | $ 870,772 | $ 1,807 | $ 296 | $ 872,875 | $ - |
| Production and intermediate-term | 234,129 | 4,235 | 322 | 238,686 | 114 |
| Agribusiness | 255,334 | - | - | 255,334 | - |
| Lease receivables | 16,011 | 984 | - | 16,995 | - |
| Total | $ 1,376,246 | $ 7,026 | $ 618 | $ 1,383,890 | $ 114 |

| December 31, 2021 | Current Loans | 30-89 Days Past Due | 90 Days or More Past Due | Total Loans Outstanding | Accrual loans 90 days or More Past Due |
|---|---|---|---|---|---|
| Real estate mortgage | $ 893,585 | $ 271 | $ - | $ 893,856 | $ - |
| Production and intermediate-term | 261,339 | 320 | - | 261,659 | - |
| Agribusiness | 192,501 | 95 | - | 192,596 | - |
| Lease receivables | 18,378 | - | - | 18,378 | - |
| Total | $ 1,365,803 | $ 686 | $ - | $ 1,366,489 | $ - |

(Dollars in thousands, except as noted)

A summary of changes in the allowance for loan losses by loan type is as follows:

| For the Three Months Ended March 31, 2022 | Real estate mortgage | Production and intermediate-term | Agribusiness | Lease receivables | Total |
|---|---|---|---|---|---|
| **Allowance for Credit Losses:** | | | | | |
| Balance at December 31, 2021 | $ 680 | $ 3,943 | $ 1,993 | $ 396 | $ 7,012 |
| Charge-offs | (14) | (2) | - | - | (16) |
| Recoveries | - | - | - | - | - |
| Provision for loan losses (loan loss reversal) | (82) | (130) | 362 | (89) | 61 |
| Balance at March 31, 2022 | $ 584 | $ 3,811 | $ 2,355 | $ 307 | $ 7,057 |

| For the Three Months Ended March 31, 2021 | Real estate mortgage | Production and intermediate-term | Agribusiness | Lease receivables | Total |
|---|---|---|---|---|---|
| **Allowance for Credit Losses:** | | | | | |
| Balance at December 31, 2020 | $ 386 | $ 4,874 | $ 1,675 | $ 435 | $ 7,370 |
| Charge-offs | - | - | - | - | - |
| Recoveries | - | - | - | - | - |
| Provision for loan losses (loan loss reversal) | 82 | (1,084) | 478 | 90 | (434) |
| Balance at March 31, 2021 | $ 468 | $ 3,790 | $ 2,153 | $ 525 | $ 6,936 |

A summary of the allowance for loan losses and period end recorded investment in loans (including accrued interest) is as follows:

| | Real estate mortgage | Production and intermediate-term | Agribusiness | Lease receivables | Total |
|---|---|---|---|---|---|
| **Allowance for Credit Losses:** | | | | | |
| Ending balance: Allowance individually evaluated for impairment | $ - | $ 208 | $ - | $ - | $ 208 |
| Ending balance: Allowance collectively evaluated for impairment | 584 | 3,603 | 2,355 | 307 | 6,849 |
| Balance at March 31, 2022 | $ 584 | $ 3,811 | $ 2,355 | $ 307 | $ 7,057 |
| **Recorded Investments in Loans Outstanding:** | | | | | |
| Ending balance: Loans individually evaluated for impairment | $ 655 | $ 299 | $ 1,465 | $ - | $ 2,419 |
| Ending balance: Loans collectively evaluated for impairment | 872,220 | 238,387 | 253,869 | 16,995 | 1,381,471 |
| Balance at March 31, 2022 | $ 872,875 | $ 238,686 | $ 255,334 | $ 16,995 | $ 1,383,890 |

| | Real estate mortgage | Production and intermediate-term | Agribusiness | Lease receivables | Total |
|---|---|---|---|---|---|
| **Allowance for Credit Losses:** | | | | | |
| Ending balance: Allowance individually evaluated for impairment | $ - | $ - | $ - | $ - | $ - |
| Ending balance: Allowance collectively evaluated for impairment | 680 | 3,943 | 1,993 | 396 | 7,012 |
| Balance at December 31, 2021 | $ 680 | $ 3,943 | $ 1,993 | $ 396 | $ 7,012 |
| **Recorded Investments in Loans Outstanding:** | | | | | |
| Ending balance: Loans individually evaluated for impairment | $ 396 | $ - | $ 1,630 | $ - | $ 2,026 |
| Ending balance: Loans collectively evaluated for impairment | 893,460 | 261,659 | 190,966 | 18,378 | 1,364,463 |
| Balance at December 31, 2021 | $ 893,856 | $ 261,659 | $ 192,596 | $ 18,378 | $ 1,366,489 |

(Dollars in thousands, except as noted)

The Association recorded no troubled debt restructurings during the three months ended March 31, 2022.

### 3. CAPITAL

A summary of select capital ratios based on a three-month average and minimums set by the Farm Credit Administration follows:

| | March 31, 2022 | December 31, 2021 | Regulatory Minimums | Capital Conservation Buffer | Total |
|---|---|---|---|---|---|
| **Risk Adjusted:** | | | | | |
| Common equity tier 1 ratio | **16.60%** | **16.74%** | 4.50% | 2.5% | 7.00% |
| Tier 1 capital ratio | **16.60%** | **16.74%** | 6.00% | 2.5% | 8.50% |
| Total capital ratio | **17.07%** | **17.21%** | 8.00% | 2.5% | 10.50% |
| Permanent capital ratio | **16.68%** | **16.81%** | 7.00% | - | 7.00% |
| **Non-risk-adjusted:** | | | | | |
| Tier 1 leverage ratio | **19.04%** | **19.41%** | 4.00% | 1.00% | 5.00% |
| Unallocated retained earnings and equivalents leverage ratio | **18.98%** | **20.64%** | 1.50% | – | 1.50% |

### 4. Fair Value Measurements

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. Refer to Note 2 in the 2021 Annual Report to Shareholders for a more complete description.

The Association had no assets or liabilities measured at fair value on a recurring or non-recurring basis at March 31, 2022 or December 31, 2021.

### 5. SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 10, 2022, which is the date the consolidated financial statements were issued, and no material subsequent events were identified.

**Fresno Madera Farm Credit, ACA**

Fresno Madera Production Credit Association

Fresno Madera Federal Land Bank Association, FLCA

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